

**Basic Education Review Committee
Minutes
October 17, 2005**

Members Present: Tommy Bragg, Ethel Detch (for John Morgan), Douglas Goddard, Graham Greeson, Vincent Harvell, Chris Henson, Karen King, Richard Kitzmiller, Gary Nixon, Lynnisse Patrick (for Harry Green), Cathy Pierce (for M. D. Goetz), Kip Reel, Wayne Qualls (for Larry Ridings), Jesse Register, Nancy Richey (for Carol Johnson), Fielding Rolston, Becky Sharber, David Thurman (for Connie Hardin), Tim Webb (for Lana Seivers), Les Winningham, and Jamie Woodson.

Others Present: A. Agle, Ed Cromer, Art Fuller, Noreka Gordon, Danny Grant, Rich Haglund, Lynne Holliday, Alexanderia Honeycutt, Kevin Krushenski, Cliff Lippard, Pam Mason, Wayne Miller, Katherine Mosher, Gary Peevely, David Sevier, Patrick Smith, Morris Stevens, Elfreda Tyler, and Karen Weeks.

Welcome and Approval of Minutes

Gary Nixon, Executive Director of the State Board of Education and chair of the committee, welcomed all members and asked members to introduce themselves. He reviewed the agenda, and noted that this would be the last meeting of the committee prior to issuing the November 1, 2005 report.

The committee approved the minutes of September 16, 2005.

Regional Salary Disparity Update

Art Fuller extended the analysis of regional salary disparity presented by David Huss at the last meeting. Huss had presented a regional analysis based on average instructional salary. Fuller presented a similar analysis using the total teacher compensation data (including both weighted average salary and weighted average health insurance) previously developed and presented by Kevin Krushenski. This is a measure of salary schedule strength. The committee reaffirmed at its last meeting that it wanted to use the weighted average method—including analysis of both salaries and benefits—in analyzing salary disparity.

Fuller presented two handouts. The first was a series of spreadsheets showing regional salary disparity comparisons of FY 04 and FY 05. All dollar disparity values were compared to the maximum for the specific region, within each fiscal year. The spread sheets showed the dollar disparity and the percentage disparity.

The second handout provided an analysis of the change in disparity. Two trends were noted:

1. A general decreasing trend in regional dollar disparity (in which 5 total county regions showed a decrease in regional disparity and 1 county region showed a mixed trend (decrease) in regional disparity).

2. A general increasing trend in regional dollar disparity (in which 2 total county regions showed an increase in regional disparity and 3 total county regions showed a mixed trend (increase) in regional disparity).

This adds to the statewide analysis of salary disparity presented by Kevin Krushenski at the previous meeting of the committee.

CDF, 75/25, Fiscal Capacity Estimates

In response to the committee's request at the last meeting, Tim Webb presented a funding scenario that includes the following assumptions:

- Based on FY06 July final allocation,
- No growth; no adjustments to unit cost/inflation,
- ELL moved to classroom component in year one,
- Phase out of CDF,
- Phase in of instructional state share of 75%,
- Increases funding from 20% to 30% of at-risk eligibles (with goal of serving 100% of at-risk eligibles, as calculated as reduction in class size by 5),
- Increase of 30% in ELL unit cost (with goal of basing funding on 1 teacher for every 20 students and 1 translator for every 200 students).

The information was presented for FY06 allocations, for the changes under a 95 county fiscal capacity index, and for the changes under the 136 system fiscal capacity prototype.

The scenario differed from that presented at the last meeting in that it included an increase in at-risk funding and an increase in ELL unit costs. The average unit cost for at-risk is \$509.46; the scenario simply adds more students. The unit cost for ELL is \$911.88; the scenario simply increased that by 30%. The new state dollars required to fund all of the above would be \$163,747,130.

In the discussion that followed, the following points were made about the scenario:

- In some systems, funds move from the hold harmless category to the stability category; to the extent that the stability amount is lower, these systems will begin to generate new state funds sooner.
- When we remove the CDF, the formula contains no factor accounting for differences in cost of living or cost of providing educational services;
- We should continue to do a cost study for at-risk and ELL each year, so that we do not inadvertently slip back into a TFP type of formula; the amounts chosen for this scenario were for illustrative purposes only.

A general discussion took place. Senator Jamie Woodson noted her appreciation to Dr. Webb for the information. From a legislator's perspective,

this information presents a global view. She stated that we should look at all of the pieces together as we go forward. Education is a priority for the state.

Fielding Rolston stated his support for the concept of moving to a 136 system fiscal capacity index, but raised the question of whether the prototype met the criteria of being explainable, understandable and defensible. He noted, for example, that the changes we made in correcting an error regarding the property values for Franklin Special School District (which had been understated) had a ripple effect throughout the entire 136 systems, with some systems being affected in substantial dollar amounts. He presented a handout showing these effects, expressed in terms of dollar amounts, percentages, and dollars per student. He noted that the changes are hard to understand and to explain; we have explored other ways of approaching the issue, but have not found an alternative. He also expressed concern about the stability funds; when they disappear after one year, some of the small systems may also disappear.

Lynnisie Patrick noted that if we had used an algebraic model instead of a statistical model in the fiscal capacity index, we would have had the same effect across the model with the changes for Franklin SSD. She also clarified that the fiscal capacity index is a single-level model, not a two-level model.

Doug Goddard expressed his view that we must approach all of the issues together. He recalled, for example, that the Governor's task force had stated that we should adjust the CDF provided that additional funds will be available to address at-risk and ELL.

Richard Kitzmiller noted that the BEP report for 2004 stated that future discussion would focus on local tax rates and on the complex relationships of tax sharing within counties. He maintained that we have not yet done that.

Fielding Rolston made the following motion, which was seconded by Kip Reel:

The Basic Education Program (BEP) Review Committee recommends studying and moving forward with comprehensive, simultaneous, and timely improvements to the BEP that include:

- the implementation of a system level fiscal capacity index (including consideration of the TACIR prototype or other alternatives),
- an increase in funding for at-risk and English language learners¹,
- the elimination of the Cost Differential Factor (CDF)², and
- the increase of the BEP instructional salary state share to 75%.

The BEP Review Committee recommends that these changes take place in a gradual, but timely manner indemnifying districts that would otherwise be harmed by such revisions.

¹ In accordance with formula recommendations from the 2004 BEP Review Committee Report.

² The Governor's Task Force on Teacher Pay recommended replacement or readjustment of the CDF (2003).

Gary Nixon clarified the procedures. Under the statute, the recommendation of the committee goes to the Commissioners of Education and Finance and Administration before going to the State Board of Education. If the elements are part of a package, the entire package would go to the General Assembly.

The committee discussed various aspects of the motion.

Senator Jamie Woodson emphasized the importance of doing all of these things simultaneously.

Doug Goddard agreed that we should do all of these things simultaneously. He noted that moving to 75-25 state/local funding of instructional salaries helps everyone. Moreover, if we do not move to the 136 system level fiscal capacity index now, we will simply have larger hold harmless provisions. The 136 system prototype picks up a better measure of poverty and low income.

Lynnisie Patrick noted that if we were to use an average tax rate model (excluding measures of income and child poverty) we would cause bigger changes than with the prototype.

Jesse Register emphasized a sense of urgency in seeing some change. He noted that some school system are losers every year now, and continue to be losers unless something is done. We must implement these changes this year.

Becky Sharber stated that she would be against the elimination of the CDF.

Chris Henson noted that the language of the Governor's task force's report says replace or adjust the CDF, not eliminate the CDF, and that it should be done at the same time as funds are increased for at-risk and ELL students. The latter two needs are easy to explain and are obviously inadequate. People can understand these concepts. In addition, the BEP's funding of school nurses is inadequate. The current funding is at 1/3000 students, in contrast to the 1/750 students recommended by the National Association of School Nurses and the 1/1500 in the 2004 BEP Review Committee Report.

These recommendations are easily identifiable as inadequate; we should concentrate on those that are easily understood.

The motion passed with the following votes: 14 Yes, 4 No, and 3 Abstain. 1 Not Present

| BEP Members | | | 1 | 14 | 4 | 3 |
|-------------------|-----------------|-------------|------|-----|----|---------|
| | | | Vote | Yes | No | Abstain |
| Bragg | Tommy | | | | x | |
| Goddard | Douglas | | | x | | |
| Goetz | M.D. | | | | | x |
| Green | Harry | | | | | x |
| Greesom | Graham | | | | | x |
| Hardin | Connie | | | X | | |
| Harvell | Vincent | | | x | | |
| Henson | Chris | | | x | | |
| Johnson | Carol | | | x | | |
| King | Karen | | | | x | |
| Kitzmiller | Richard | | | | x | |
| Morgan | John | | | x | | |
| Nixon | Gary | | | x | | |
| Reel | Kip | | | x | | |
| Register | Jesse | | | x | | |
| Ridings | Larry | | | x | | |
| Rolston | Fielding | | | x | | |
| Seivers | Lana | | | x | | |
| Sharber | Rebecca | | | | x | |
| Smith | Stephen | Not Present | | | | |
| Winningham | Les | | | x | | |
| Woodson | Jamie | | | x | | |

Immediate and Long Term Priorities

Gary Nixon noted that the staff has begun drafting the report based on prior Committee discussion; a copy is included in the packet.

The final report will include the following:

- Fiscal capacity, guiding principles
- Indemnification
- Cost differential factor

- Instructional salary component
- At-risk students
- English language learners
- Attendance supervisors (to be listed as a long term priority, with the understanding that if improvements are made, systems do not need to use the funds for this purpose, in keeping with the general philosophy of the BEP)
- PreK special education counts (if the Attorney General states that we should include it)
- School nurses
- Alternative Schools (to be listed as a priority for consideration next year after the State Board of Education task force develops a recommendation)

Ethel Detch suggested that we also look at the State Board of Education's *Master Plan*; it is important to make the connection between the plan and funding.

Fielding Rolston stated that the Board is in the process of developing the plan for FY07 right now and expressed his eagerness for committee members to forward input. The plan is accessible on the Board's web site www.state.tn.us/sbe. The final plan will be approved by the Board in January.

Nixon noted that staff will forward to committee members a draft of the 2005 BEP Review Committee Report by October 25. He would appreciate receiving the committee's comments within two days, so that they can be incorporated into the report.

Nixon thanked Metro Schools for allowing members to use the Board Room for the meeting. He also thanked committee members for their thoughtful deliberation and adjourned the meeting.